

VZCZCXYZ0007
RR RUEHWEB

DE RUEHSK #1445/01 3351011
ZNR UUUUU ZZH
R 011011Z DEC 05
FM AMEMBASSY MINSK
TO RUEHC/SECSTATE WASHDC 3396
INFO RUEHMO/AMEMBASSY MOSCOW 3217
RUEHKV/AMEMBASSY KIEV 3011
RUEHVL/AMEMBASSY VILNIUS 3436
RUEHRA/AMEMBASSY RIGA 1469
RUEHWR/AMEMBASSY WARSAW 3095
RUEHVEN/USMISSION USOSCE 0771
RUEHBS/USEU BRUSSELS
RHMFISS/HQ USEUCOM VAIHINGEN GE
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK

UNCLAS MINSK 001445

SIPDIS

SIPDIS

E.O. 12958: N/A
TAGS: [ENRG](#) [EPET](#) [ECON](#) [ETRD](#) [BO](#)
SUBJECT: Belarus: Energy Round-up

11. Summary: Post provides a number of energy topics of interest that were not otherwise reported. Natural gas issues will be reported separately. Included are:

- Belarus Buys Russian Electricity, Not Ukrainian
- Belarus Offers to Process, Rather than Ship, Kazakh Crude
- GOB Wants More Russian Crude
- Oil Transit Grows...
- ...And Rail Deliveries Exceed Expectations
- Belarus Starts Shipping Oil to Ukraine
- Petroleum Sales Climbing
- Belarus and Russia Negotiating Long Term Energy Supplies

Belarus Buys Russian Electricity, Not Ukrainian

12. On November 23, Econoff met with Leonid Padalko, an energy expert at the National Academy of Sciences (NAS). Padalko explained that Belarus currently needs around 6,000 megawatts (MW) of electricity. Even though Belarusian power plants (all gas fired) have a capacity of 7,700 MW, Belarus still imports 1,000 MW from Smolensk, Russia at USD two cents per kilowatt hour. Even though Belarus receives natural gas at a very low rate from Russia (USD 46.68 per 1,000 cubic meters), the age and inefficiency of Belarusian thermal electric plants means it is still more cost effective to buy electricity from Russia. The GOB explored buying electricity from Ukraine's Rivne nuclear power plant. The price was good, but the GOB decided against because it would have to build a USD 200 million transmission line from Rivne to Belarus. There is still a transmission line from Chernobyl to Gomel, Belarus, but it is not in use.

Belarus Offers to Process, Rather than Ship, Kazakh Crude

13. On November 22, a GOB official told the press the GOB "suggested" Kazakh companies use Belarus' two refineries, in Mozyr and Novopolotsk, to process the Kazakh crude that currently transits Belarus. Private Kazakh companies annually export four to five million tons of crude to Lithuania's Butinge terminal via the Druzhba pipeline, which goes through the Novopolotsk refinery. The GOB reportedly told Kazakhstan's energy ministry it would be better to process the crude in Belarus and export refined product to Lithuania. Padalko commented that Belarusian refineries have excess capacity, and this refining would be profitable for the GOB.

GOB Wants More Russian Crude

¶4. A source in the Ministry of Economics told the press on November 21 that Russia has offered to supply Belarus 19.5 million tons of oil (19 million by pipeline, 500,000 by rail) in 2006. This is the same amount as in 2005. The amount will be finalized at the next meeting of the Council of Ministers of the Union State. The two are still negotiating longer term supply, with Belarus wanting 25 million tons a year, to reflect growing capacity at its refineries, and Russia offering 22 million tons.

Oil Transit Grows...

¶5. From January through October Belarus' pipelines transported 88.231 million tons of oil, three percent more than the previous year. Transit increased 3.4%, to 72.34 million tons for that period. The Gomel-based Druzhba pipeline delivered 7.939 million tons to the Mozyr refinery and transited 60.421 million tons across the country. Of that amount, 40.662 million tons went to Adamovo in Poland and 19.758 million tons to Brody in Ukraine. The Novopolotsk-based Druzhba pipeline delivered 7.095 million tons to the Novopolotsk refinery and 11.918 million tons to Mazeikiu and Butinge in Lithuania. No oil transited to Ventspils, Latvia during this period. Padalko told Econoff these pipelines are now operating around their maximum capacity.

...And Rail Deliveries Exceed Expectations

¶6. In January through October Russian suppliers shipped 950,194 tons of oil to Belarusian refineries by rail. Of this, 674,811 went to the Novopolotsk refinery and 275,383 to the Mozyr refinery. Russia had only agreed to supply 500,000 tons for the year by rail, but exceeded the amount after Russneft opened an export terminal near the Belarusian border at the Zhecha railroad station. This terminal has an annual capacity of five million tons.

Belarus Starts Shipping Oil to Ukraine

¶7. On September 28, the chairman of Belneftikhim, Bronislav Sivy, announced Belarus was starting to ship oil products to Ukraine via trunk pipelines. For 2006 Belneftikhim planned to ship 300,000 tons of oil products. However, the Mozyr Oil Refinery is expected to build a 50-kilometer pipeline to Ukraine, to open in 2007. This would allow Belarus to ship one million tons of oil to its southern neighbor annually.

Petroleum Sales Climbing

¶8. On November 25, the Ministry of Statistics announced Belarus' two refineries refined 2.717 million tons of gasoline, up 20.1% from 2004, from January through October. Diesel production climbed 8.9% to 5.277 million tons, fuel oil grew 16% to 5.161 million tons, while lubricants fell 23.4% to 105,000 tons. During this ten-month period the output of the two refineries, in monetary terms, grew 7.3% to BYR 9.71 trillion [USD 4.5 billion].

Belarus and Russia Negotiating Long Term Energy Supplies

¶9. In October Russia and Belarus attempted to negotiate Russian energy deliveries to Belarus through 2020. The two sides failed to reach agreement on oil (see para 4), but reportedly reached agreement on other fuels. Russia reportedly promised to supply 25 billion cubic meters of natural gas by 2020 (versus 20.5 bcm in 2005), 4 billion kWh of electricity (down from 5 billion planned for in 2005), and one million tons of coal (up from 230 thousand tons in 2005). Despite these increases, Belarus' next five year plan (2006 to 2010) calls for increasing use of domestic energy and

decreasing dependence on Russian imports. To that end the GOB is converting some factories and apartment boilers to use peat and firewood. The GOB is also searching for more domestic sources of oil; currently about 10% of Belarus' oil needs are met by domestically produced oil. However, experts do not believe this percentage can be raised. Belarus does not have significant deposits of natural gas.

KROL